

**AGENDA ITEM:** Funding Issues for the Library of California

**ISSUES TO COME BEFORE THE BOARD AT THIS MEETING:**

1. Discussion of options for funding Library of California (LoC) programs and services with existing ongoing funds in 2000/2001.
2. Discussion of options for new LoC budget change proposal(s) (BCP(s)) for 2001/02.

**ISSUE 1: Discussion of Options for Funding Library of California Programs and Services with Existing Ongoing Funds in 2000/2001.**

**BACKGROUND:**

Last year the Board instructed staff to develop a BCP to fund the next phase of development for the Library of California. The BCP developed was for \$28.1 million to cover initial implementation of regional operations, initial development of resource libraries' activities, and the development of regional and statewide service delivery programs. During the fall and winter, staff responded to questions from the Department of Finance concerning this proposal. However, when the Governor's budget appeared in January, increased funding was not included for the Library of California.

Working with the Department of Finance, staff revised the funding request, reduced it to \$9.5 million, and submitted a request to augment the Governor's budget via the May Revise by that amount. The reduction was based on better information concerning regional library network development. Originally, it was anticipated that networks would be operational by July 2000; however, as development was slower than anticipated, regions are now expected to be ready by January 2001. This meant a reduced need for operational funding for networks for the upcoming year.

When the May Revision of the Governor's budget was issued, there still was no increased funding recommended for the Library of California. As a result, it became clear that unless legislative action were to produce the increased funds requested, programs for the upcoming year will need to be funded through existing funds.

The Library of California Act included an appropriation of \$5 million for startup of the Library of California. It specified that these funds were to be used for the following program categories:

- ◆ Telecommunications infrastructure
- ◆ Statewide information data base licenses
- ◆ Reimbursement for interlibrary loans and direct loans
- ◆ Regional library network development, and
- ◆ Support for statewide coordination.

During the week of May 29, 2000, staff requested an opinion from Paul Smith, State Library legal counsel, as to whether or not the Board was still bound to the categories specified in the appropriation. Paul, in consultation with Cameron Robertson, responded that the Board was no longer legally bound to expend in these categories. However, past experience shows that there should be communication with the Department of Finance before the Board authorizes expenditures outside those areas.

On June 1, 2000, the LoC Team asked an advisory group to meet in Sacramento to discuss LoC funding options. The group included the State Library's LoC Team; two Board members, John Kallenberg and Victoria Fong; and two librarians, Marilyn Robertson and Gregg Atkins. The purpose of this meeting was to review the variety of issues related to funding for 2000/01 and 2001/02, to advise staff on preparation of materials for this Board packet, and to help organize discussion topics to allow for broad based discussion of issues by the Board and the library community. This group reviewed the Board priorities, shown below, and discussed the relationship of these priorities to any decisions that the Board might make to shift usage of funds from the appropriate categories. The outcome of this meeting was advice on the development of this document, and consensus on the need to bring the library community as well as the Board into the discussion of overall funding priorities for the Library of California. See graphical summary, Exhibit A. It is hoped that the Board will discuss the options developed by this informal advisory group, provide the staff with some general direction for their work over the summer, and distribute the results of their preliminary discussions to the library community for their input to the Board before it makes final decisions at the August Board meeting.

### **Board Priorities**

Adopted 4/26/00

For Fiscal Year 1999-2000 (not in priority order):

- Develop infrastructure for regional networks including operational funding
- Implement online databases in all regions aimed at the general public and youth
- Implement the Board chosen regional level telecommunications model
- Begin the direct loan pilot

and for Fiscal Year 2000-2001 (not in priority order):

- Develop statewide database programs and criteria for their development
- Develop an electronic document delivery program
- Initiate trial databases for specific library types
- Implement statewide resources for statewide licensing
- Implement ILL at the regional and inter-regional level.

***Board Options for 2000/2001:***

The June 1, 2000 meeting identified several options for use of the existing \$4,000,000 in local assistance funding in 2000/2001.

- A. Planning Mode:** Continue to operate in a planning mode as in 1999/2000, offering regional grants to planning regions for service and program development and delivery. Expand development of statewide services to support regional service delivery, in accordance with the Board's priorities.
- B. Support Existing Projects:** Support pilot projects already underway which develop LoC services; continue development of statewide service programs, such as negotiating database licenses; continue to support regional grants for delivery of services within regions and to develop the capabilities of planning regions to function as regional library networks.
- C. Network Development:** Support the development of regional library networks fully as they are approved in lieu of developing other regional services; continue support only for those statewide services that can be supported through statewide operations funding.
- D. Moratorium on Network Establishment:** Set a moratorium on network establishment and seek immediate legislative revisions to Library of California Act; continue to provide funds for development and delivery of services both regionally and statewide.
- E. Combination of Pilots and Networks:** Continue those pilots underway that support the Board's priorities, such as interlibrary loan; approve networks as they develop but refrain from allocating funds for regional operations until all plans of service for all regions are developed and can be reviewed in their entirety; begin development of resource libraries component.
- F. A combination of different options above.**

***Recommendations:***

Staff recommends **Option E.** above. Regional Library Network applications are due to come before the Board at the June, August, and November Board meetings. It is recommended that approval of the networks be done as their approvable applications are presented to the Board. However, staff agrees with the advisory group that allocation of funds to implement their plans of service should not be made until all plans can be reviewed and an analysis can be made of the amount requested and needed in 2000/2001 and beyond. In addition, a review of current obligations for or encumbrances against LoC ongoing funds should be made at the same time so that the Board is aware of available funds at the time allocations are made for regional operations.

To implement Option E, the following program elements must be considered as part of that package.

**Interlibrary Loan Pilot** – Beginning its second year, this program provides reimbursement for interlibrary loan transactions among libraries of all types and complements the CLSA program for public libraries. Estimated cost for one year: \$1 million. **Recommendation:** Earmark funding to continue this pilot for the first half of 2000/2001 while other funding issues are being finalized (see Access Services agenda item for details).

**Direct Loan Reimbursement** – The Board has authorized expenditure of up to \$1 million from 2000/01 to support reimbursement of direct loans as a pilot in a single planning region. The Board also authorized the expenditure of funds from 1999/2000 to support development of the program, including policy development and training for its implementation. **Recommendation:** Continue to develop the policies for implementation and refrain from starting the actual program until such time as the policies and project design are more fully developed and funds are assured to support the pilot. (See Access Services agenda item for details).

**Database licenses** – Planning regions have been granted funds to offer database licenses for a one year trial basis (2000/2001). In addition, staff is investigating how statewide operations can be used to cover the costs of the program for negotiating statewide licensing. **Recommendation:** Staff does not recommend the granting of additional funds to pay for actual database licensing fees as a general policy. Consequently no additional local assistance funds for this program will be required in 2000/2001 unless Board policy and priorities are revised. (See Support Services agenda item for details).

**Regional Network Operations** – As each region is established, there will be a demand for the Board to authorize funds for delivery of services and support of regional operations. Operations must include at some level and at sometime, the services defined in Education Code Section 18842: telecommunications system, regional communications, intra-regional delivery, and online access to information files, resources, and bibliographic records. In addition the Act requires reimbursement by regions for access services to a library's non-primary clientele (Section 18844 (a)-(e), provision of opportunities for training and continuing education (Section 18845), provision of information and referrals (Section 18846 (a)), and for augmentation of member library public awareness programs (Section 18847). Should the Board authorize regional operations, funding will be needed to support some level of regional administration as well as these services and programs. Core priorities need to be developed based on regional network plans of service to determine which services rank above others in case of limited funding.

***Process Recommendations:***

Staff recommends the following work plan to develop budget options for the Board for funding regional network operations and addressing their associated budget issues for the August 2000 Board meeting.

1. At the June Board meeting, provide for discussion of budget issues both as a committee of the whole and at the Board meeting and encourage public comment.
2. By August, staff will:
  - ◆ disseminate broadly to the library community the results of the funding options discussions at this meeting to obtain their advice and input into the recommendations to be developed for the Board's August 2000 meeting;
  - ◆ work with the regional planning groups to assist in information gathering concerning required funding, and to disseminate information concerning possible options;
  - ◆ encourage regional contacts to attend the August Board meeting to participate in the discussion and decision-making process;
  - ◆ develop a matrix of costs and core services to determine the level of service that can be provided with existing funding;
  - ◆ determine scenarios for what services can be provided with available funds;
  - ◆ develop a tiered system with costs by tier so that should additional funds become available, more tiers can be added to the funding picture;
  - ◆ develop a chart or other mechanism to be used by the Board to track expenditures and assist in making allocation decisions at the Board meeting; and
  - ◆ bring to the Board at the August meeting the above-mentioned information and decision making tools to assist the Board in reviewing its options for funding.
3. By November, staff will gather plans of service and their associated budgets from the regions as they are developed. Regional operations need to be ranked so that a set of core services can be costed at various levels of service provision. Staff will prepare an analysis relating the costs for services and the number of members each is anticipating serving, and make a recommendation to the Board at the November meeting for funding plans.

**ISSUE 2: Discussion of options for new LoC budget change proposal(s) (BCP(s)) for 2001/02.**

The language of the Library of California Act specifies that regions shall be supported on a formula basis for operations support for their first three years, by which time the actual costs of operations will be known. It is clear that there is little support of a BCP for increased funding where no obvious services or benefits are specified and highlighted.

There are several options for BCP(s) for the 2000/2001 fiscal year that would address these issues. Among them are:

- A. Request regional operations funding for all services and programs by formula
- B. Specify certain regional programs and services and develop budget estimates that would adequately fund a specified number of participating libraries
- C. Specify statewide programs which have been studied to determine a current cost model and potential program costs and request funding for them, e.g. Interlibrary Loan
- D. Specify statewide programs for which demonstration and testing is required to develop services and programs, such as resource libraries programs
- E. Develop funding request targeted to certain types of libraries to improve their ability to participate (e.g. school libraries)
- F. A combination of some of the above.

#### ANALYSIS:

Staff recommends that the approximately \$4 million in 2001/2002 baseline funding be used for development of programs and services and perhaps for studies necessary to determine cost models for service delivery although LSTA funds could be sought for such studies. While it seems appropriate to request funds for ongoing service delivery or implementation of programs, it seems to make less sense to request demonstration funding unless LSTA is not available. The 2000/2001 BCP that requested funding without very specific service objectives clearly was not supported in this year's budget and seems unlikely to be supported in future years. Consequently it seems to make most sense to develop requests for services that can be described and delivered and to match BCP priorities closely with those defined by the Administration and Legislature. It also may make sense to continue to develop cost models for those service delivered to public libraries through CLSA but which are underfunded, (e.g., interlibrary and direct loans, communications and delivery, reference, and administration). With a mechanism in place to determine current costs of services such as Reference, Administration, Delivery and Training, a more specific BCP or set of BCPs could be developed that focused on what the public would receive as a result.

Staff would like to obtain direction from the Board on which BCP concepts they should focus their efforts over the summer. Staff recommends that regional operations be given a high priority and that the Board allow staff the latitude to develop one or more

proposals to address regional operations and services to be presented to the Board at its August 2000 meeting.

**RELATED ISSUES TO COME BEFORE THE BOARD IN THE FUTURE:**

1. Consider applications from Regional Planning Groups to create Regional Library Networks.
2. Consider budget allocations to fund Regional Library Networks and other Library of California services.

Relevant Committee: Support Services

Staff Liaison: Diana Paque